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FIRST COUNTRY COOPERATION FRAMEWORK FOR CROATIA (1997-1999)

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 2	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	3 - 21	2
II. RESULTS AND LESSONS OF PAST COOPERATION	22	6
III. PROPOSED STRATEGY AND THEMATIC AREAS	23 - 32	6
A. Aid management and coordination	24 - 26	6
B. The rehabilitation and sustainable development of war-torn areas	27 - 32	7
IV. MANAGEMENT ARRANGEMENTS	33 - 35	8
Annex. Resource mobilization target table for Croatia (1997-1999)		10

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INTRODUCTION

1. UNDP opened a liaison office in Croatia on 17 April 1996. Soon thereafter a consultation process between the Government of Croatia and UNDP was initiated. Because Croatia was emerging from a devastating war, while at the same time becoming a newly independent state, with evolving administrative and institutional structures, early consultations centred around identifying a counterpart ministry for UNDP and establishing working relations. Initial UNDP interventions focused on the approval of the projects CRO/94/001, "Coordination and Management of External Assistance for Reconstruction and Rehabilitation of War-Torn Areas", and CRO/96/002, "Rehabilitation and Sustainable Development of the County of Sibenek", a pilot activity for the rehabilitation and development of a war-torn area, which began in July 1996.

2. Based on the initial activities of the two above-mentioned projects, discussions on the scope and content of future UNDP cooperation in Croatia were held with national and local government officials, as well as representatives of local communities, non-governmental organizations (NGOs), United Nations agencies and programmes and the wider donor community. The outcome of this process was the preparation by the Government of Croatia of its first country cooperation framework (CCF) for the period 1997-1999.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. The development situation in Croatia should be viewed from the perspective of the extreme changes that have taken place since 1990. From 1990 to 1995, at the same time as it suffered a catastrophic war, Croatia was in the process of establishing itself as an independent state, with a democratic, multi-party, parliamentary form of governance and a new economic system. Since then, the country has made great strides towards a free enterprise market-based economy, based on private ownership.

4. The human suffering and devastation of the war - as well as the social costs resulting from the country's economic changes - are so far-reaching that they are difficult to quantify. Concerning the war itself, in terms of its effect on people and on infrastructure, more than one third of the territory of Croatia was devastated. Thus, the direct physical damage of the war is estimated at $27 billion, while indirect damage, such as the almost total collapse of economic production, is estimated to be double that amount. An estimated 10,512 people died, including 264 children, and 31,123 were wounded. Out of a total population of 4.78 million, 700,000 were displaced or became refugees.

5. With respect to the UNDP focus areas for sustainable human development, the situation in Croatia is summarized below.

Governance

6. Following the adoption of a new Constitution in December 1990 and the adoption of legislation on local government in 1992, the Government of Croatia

initiated a process of institutional change designed to lead to decentralization and self-government at the county and municipal levels. However, after five years of intensive change in the direction of decentralization, a clear division of responsibility and authority between the central Government and local authorities at the county and municipal levels is still being worked out. Decentralization of responsibility has been made particularly difficult in the war-torn areas of Croatia, where local governments depend heavily on the central Government for the reconstruction and rehabilitation of housing, infrastructure and industrial capacities, and for the provision of care for refugees, displaced persons and returnees to liberated areas.

Poverty alleviation

7. The costs of the four-year long war and the consequent loss in economic output, further exacerbated by the transition to a market economy and the associated structural changes, have initially resulted in a 48.6 per cent decrease in per capita gross domestic product, i.e., from $5,106 per annum in 1990 to $2,481 per annum in 1993. A comprehensive stabilization programme that came into effect at the end of 1993 has led to an increase in overall economic activity, insufficient, however, to meet the needs of 241,184 citizens on welfare (5 per cent of the total population), as well as 382,034 citizens who are still refugees, displaced persons and returnees affected by the war (8 per cent of the total population).

8. Displaced persons and refugees remain the second largest social group in need of assistance, yet, as the Government stated at the 1995 World Summit for Social Development, meeting appropriately the specific social needs of refugees and displaced persons represents a highly complex problem for a country dealing not only with a refugee crisis but also experiencing fundamental political, economic and social transformations. In order to facilitate the return of displaced persons to their homes, the Government has launched a comprehensive programme aimed at reconstruction and rehabilitation of the war-torn areas, including reconstruction of housing and infrastructure, tax incentives for the returnees, and better pay for returning professionals. While the average monthly net wage in Croatia in 1995 stood at $130, a displaced four-member family lived on $135 per month in government assistance. However, insufficient government funds for the reconstruction of housing and infrastructure and the absence of opportunities for employment and income-earning in the war-torn areas are significant constraints to the pace of return.

Employment and sustainable livelihoods

9. Since 1991, the labour market in Croatia has undergone profound structural changes. The closure of enterprises and labour reduction from the enterprises undergoing restructuring or being privatized have led to increases in the rate of unemployment, which now stands at 17 per cent of the total labour force, with sharply pronounced regional differences.

10. The pace of labour reduction has slowed since 1993, yet the ongoing restructuring will lead to new pressures on the labour market in the future. Throughout the transition period, job creation, particularly in the private

sector, has not been sufficient to compensate for the increased unemployment associated with restructuring and privatization. Small- and medium-scale enterprises have generated new employment opportunities, but have so far focused on high-skilled workers, whose rate of total unemployment is relatively low.

11. The 825,000 pensioners in Croatia represent the largest social group in need of assistance. In an effort to reduce une…ployment, the Government has introduced a concept of early old-age pensions, the effect of which, due to the high costs of living and low pensions, has been substantial growth in the informal sector of the economy. Furthermore, as regular full-time work in the formal sector is proving insufficient to meet the cost of living, employment in the informal sector has become a means of support for an increasing number of employed workers.

12. The Government is currently considering further changes in the institutional framework of the labour market, aimed primarily at providing inducements for job creation.

Environment

13. With the adoption of Agenda 21 in 1992 and the subsequently ratification of several international agreements on the environment, Croatia has confirmed its strong commitment to protect, conserve and enhance the global environment. Croatia is a Mediterranean country, with a very long coastline and island archipelagos. It views its economic growth as linked to the rehabilitation of its tourist industry. In its environmental strategy, the Government has focused particularly on the protection of the Adriatic Sea and has taken an active role in the Mediterranean Technical Assistance Programme, a joint UNDP/World Bank initiative.

14. The problem of pollution in Croatia is not so much a national problem as it is a regional problem, resulting from Croatia's geographic position. Croatia itself produces a relatively small amount of pollutants. However, pollution from neighboring countries affects Croatian rivers, woods and soil, and has a negative effects on the northern part of the Adriatic coast and the mountainous regions of the country. Thus, the Government is especially interested in participating in regional and international efforts at pollution-control and clean-up.

15. War has imposed tremendous costs related to the environment. On the one hand, in the areas most affected by the war, waste management, protection of surface and underground waters and maintenance of hygienic and health standards have proven to be extremely difficult. On the other hand, the mass destruction of factories has meant that many of the main contributors to pollution have been put out of business. There is wide popular support for a prominent governmental policy that states that clean and environment-friendly technologies must be used in the factories that are rehabilitated during the reconstruction process.

16. Environmental legislation since 1994 has put into place new regulations, and efforts are now focused on the elaboration, adoption and enforcement of related legislation. However, the appropriate administrative and institutional

structures have not yet been established, and the country is in the process of developing methods to include local communities and NGOs in promoting environmentally sustainable development.

Gender issues

17. Croatia has a population of 4.78 million people, 50.3 per cent (2.4 million) of whom are women. Women account for 45.1 per cent of the total labour force, practically all of them either holding or seeking full-time employment. They also account for 50 per cent of the long-term unemployed, and represent 55 per cent of the total unemployed.

18. Gender equality is laid down in the Constitution, and Croatia has ratified the United Nations Convention on the Elimination of all Forms of Discrimination against Women. As a follow-up to the Fourth World Conference on Women, in May 1996 the Government established the National Commission for Equality, an interministerial commission charged with formulation of a national programme of action.

19. Notwithstanding the above, Croatia has far to go to achieve gender equality. The reality is that women account for only 12 per cent of the total number of parliamentarians. There is no woman on the Constitutional Court, although 53 per cent of all judges in Croatia are women. While they are well-represented in the public sector, women do not hold decision-making positions proportionate to their number; for example, women account for 60.3 per cent of all secondary school teachers, yet only 23.7 per cent of all secondary school headmasters are women.

20. In general terms, women rarely rise to directorship or senior management positions, despite the fact that in Croatia education opportunities have been extended equally to men and women, with women representing 41.6 per cent of the total number of university graduates.

21. There are 32 NGOs in the country addressing gender issues, mostly within the context of the war, such as female refugees and displaced persons, women who have been the victims of rape, and war widows. Fifty-three per cent of displaced persons and 59 per cent of refugees in Croatia are women, and women account for 24 per cent of all missing persons. Gradually, some of these NGOs will cease to exist. Others, however, may shift the focus of their activities towards women-in-development issues. The National Commission for Equality envisions the establishment of an advisory body to promote the status of women. The formulation of a comprehensive national programme of action that would serve as a catalyst for the advancement of women in political, economic and social life, including a clear definition of the role of Croatian woman in development, remains a key gender issue.

II. RESULTS AND LESSONS OF PAST COOPERATION

22. Although UNDP was present in the former Yugoslavia before the war, past activities were not taken into account while formulating the CCF, because UNDP activities in the former Yugoslavia had no relevance to the present political, social and economic realities of present-day Croatia, namely, rehabilitation and reconstruction of war torn areas, transformation towards a private enterprise market economy, and new forms of governance. However, the UNDP pilot project for the sustainable development of war-torn areas launched in 1996 (CRO/96/002) had a significant influence on the Government's decisions relating to the present programme framework and UNDP areas of focus.

III. PROPOSED STRATEGY AND THEMATIC AREAS

23. Following extensive and wide-ranging consultations, the Government agreed that UNDP activities in Croatia should concentrate on two broad areas: support for the building of national and local government capacities to manage and coordinate foreign aid; and cooperation with the Government and the wider donor community in their efforts to rehabilitate and to develop the areas of the country devastated by the war. The organization's neutrality, comparative advantage and capacities in these areas were among the reasons for their selection. In particular, in war-torn areas, UNDP was viewed as having the capacity to support the movement from emergency relief to long-term sustainable development, through activities designed to reduce poverty, generate sustainable livelihoods for men and women, and strengthen national and local governance. The scarcity of support for the above-mentioned areas despite the acute needs was viewed as another important reason for UNDP involvement.

A. Aid management and coordination

24. Cooperation between the Government and UNDP in this area will be carried out through the existing country project CRO/94/001 (see para. 1 above) and the regional project RER/93/025, "Integrated Training and Management in the Republics of the Former Soviet Union". The dual transition from a centrally planned to a market-oriented economy, and from humanitarian relief to development aid, underscores the need to strengthen Croatia's capacity to manage and coordinate foreign aid.

25. During the war, with a humanitarian disaster unfolding, every form of aid was welcome, and literally hundreds of agencies and NGOs provided solidarity and material relief. Many of those organizations now wish to participate in rehabilitation, development and the peaceful reintegration of Croatian citizens of different ethnic backgrounds. In order for this support to be effective, it is vital that reliable information on the extent of aid being provided be available to the Government and the donor community. Similarly, management and coordination of these international aid efforts is essential, to avoid duplication of efforts, and to ensure that external resources are effectively utilized and produce the desired results.

26. Among other things, it is expected that UNDP support in the area of aid management and coordination will help to establish institutional arrangements within national and local government administrations for the overall management and coordination of foreign aid. Another important goal will be to create a comprehensive database on aid flows and development activities, especially in war-torn areas.

B. The rehabilitation and sustainable development of war-torn areas

27. International solidarity during the war was extensive, and Croatia was the recipient of generous humanitarian aid. During the present post-war period, needs have shifted from emergency relief to the development aid necessary for the long-term reconstruction, rehabilitation and reconciliation of war-torn areas. Thus, a large portion of UNDP resources will be devoted to projects aimed at creating economic and social conditions in war-affected areas that will encourage the return and reintegration of Croatian citizens of all ethnic backgrounds. Specifically, UNDP will focus on sustainable human development activities, particularly the strengthening of national and local governance, the alleviation of poverty, and the generation of sustainable livelihoods for men and women.

28. The Government has an extensive programme for the rehabilitation of war-torn areas, focusing on physical infrastructure and housing, for which it receives financial support from the World Bank. The Ministry of Development and Reconstruction will reconstruct approximately 55,000 houses and apartments. By September 1996, 20,000 of the destroyed houses had been restored, enabling the return of 70,000 displaced persons. The reconstruction of another 35,000 houses is planned for 1997.

29. UNDP will support and complement the Government's overall programme of reconstruction, by initiating and providing funds for two area development-type projects. In addition to the one already started in Sibenek county (Dalmatian hinterland), UNDP will initiate projects in western and eastern Slavonia, thereby assisting the peaceful reintegration of Croatian Podunavlje (Croatian Danube river basin area). The methodology that will be used to implement these projects is one that UNDP has used in other countries facing post-war rehabilitation. The basic aim is to facilitate the return of displaced populations, by encouraging the generation of productive activities and incomes for families, by means of investment in agriculture, livestock production, credit schemes, etc. At the same time, in addition to the repair and rebuilding of the destroyed housing, basic community social infrastructure will be restored, such as water supply systems, schools and health centres.

30. The UNDP approach ensures that activities are carried out with the participation of the direct beneficiaries, by establishing planning and implementation capacities at the grass-roots level. Basic needs are identified through a participatory process, and the results are a series of projects which provide direct benefits to displaced persons and refugees, as well as existing communities.

31. By directly fostering productive activities and the rehabilitation or creation of social infrastructure, the UNDP-supported projects will address issues related to poverty reduction. By emphasizing self-help and community participation, they will help the Government to tackle governance issues such as the decentralization of decision-making and democratization. In particular, the projects will improve the plight of women and children in war-torn areas, by designing interventions targeting these groups. And by re-evaluating the role of the industrial plants destroyed during the war in terms of sustainable wealth creation, important environmental issues will be addressed. It is hoped that the UNDP approach will encourage communities to regenerate their social and economic fabric, a prerequisite for long-term peace and stability.

32. The organization's comparative advantages in introducing the approach described above in sensitive, war-torn areas are its neutrality and extensive experience in community-based sustainable human development programmes throughout the world. The uniqueness and potential positive impact of the approach, as well as the special role of UNDP, have led many donors to consider participating in the UNDP-supported area development projects.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

33. Projects will be executed nationally, with the UNDP liaison office providing direct support as required. It is expected that United Nations agencies such as the United Nations Office for Project Services, the United Nations Department of Development Support and Management Services, the International Labour Organization, the Food and Agricultural Organization of the United Nations, the United Nations Industrial Development Organization, and the Untied Nations Educational, Scientific and Cultural Organization will be actively involved in the projects for the war-affected areas. New modalities for the use of the United Nations Volunteer (UNV) programme are being developed. Internationally recruited UNVs were used extensively for peace-building operations during the war in Croatia, and it is now planned to continue this tradition by using UNVs for development projects. In addition, a programme of nationally recruited UNVs is envisaged, to draw on highly motivated young Croatian citizens of all ethnic groups in the reconstruction, rehabilitation and reintegration effort. Furthermore, UNDP will continue to cooperate closely with the Office of the United Nations High Commissioner for Refugees, the United Nations Children's Fund and the World Health Organization, which are providing relief in the war-torn areas.

Monitoring, review and reporting

34. In conjunction with helping to develop the Government's capacity to manage and coordinate foreign aid, appropriate procedures for monitoring, review and reporting of UNDP projects will be established. This is a priority area of the existing UNDP project CRO/94/001.

Resource mobilization

35. Since UNDP resources for Croatia are extremely limited, when viewed in the light of the enormous rehabilitation and development needs, UNDP is presently negotiating with the European Union and the Governments of Austria, Belgium and Sweden, on the possibility of their financial participation in the UNDP area development projects planned for war-torn areas. Although it is too early to estimate the extent of cost-sharing, trust funds and parallel-financing that will be mobilized, these donors have reacted positively to cooperating with UNDP. It is also anticipated that as additional programmes and projects are developed, other donors may also participate in the overall programme of cooperation. In the medium- to long-term future, with donor support, it would not be unrealistic to estimate a tripling or quadrupling of UNDP funding.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR CROATIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	907	Approximately $742,237 have not been programmed.
TRAC 1.1.1	176	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	523	In line with decision 95/23, paragraph 19.
SPPD/STS	43	
Subtotal	1 649 a/	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	-	
Third-party cost-sharing	5 137	Under negotiation with the Governments of Austria ($400,000), Belgium ($2,500,000) and Sweden ($237,000), and with the European Union ($2,000,000).
Funds, trust funds and other	-	
Subtotal	5 137	
GRAND TOTAL	6 786 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.